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8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

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11 **GENEROSITY.ORG**

12 **Plaintiff,**

13 **vs.**

14 **GENEROSITY BEVERAGES, INC; and**
15 **DOES 1 to 20 inclusive,**

16 **Defendants.**
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Case No. 2:17-CV-6054-ODW-KS

**ORDER GRANTING IN PART AND
DENYING IN PART PLAINTIFF'S
MOTION FOR PRELIMINARY
INJUNCTION [13]**

19 **I. INTRODUCTION**

20 Plaintiff Generosity.org (“GW”) brings this breach of contract and trademark
21 action against Defendant Generosity Beverages, Inc. (“GBI”) and now moves for an
22 order enjoining GBI from using GW’s alleged trademarks. (ECF No. 13.) For the
23 following reasons, the Court **GRANTS IN PART** and **DENIES IN PART**,
24 Plaintiff’s Motion.

25 **II. FACTUAL BACKGROUND**

26 GW is a registered 501(c)(3) Non-Profit Organization that was created to raise
27 donations to fund the construction of water wells in impoverished countries.
28 (Declaration of Philip Wagner (“Wagner Decl.”) ¶¶ 4–5, ECF No. 14.) Philip

1 Wagner, a pastor at the Los Angeles Oasis Christian Church, founded GW in 2007,
2 and registered the organization as a 501(c)(3) in November 2008. (*Id.*) On June 28,
3 2007, GW applied to register the name “GENEROSITY WATER” for use in
4 connection with “bottled drinking water,” and the USPTO issued a trademark
5 registration on November 25, 2008, under U.S. Reg. No. 3,538,005 (the “’005
6 Mark”). (*Id.* ¶ 6.)

7 In October 2009, Micah Cravalho joined GW’s Board of Directors.
8 (Declaration of Micah Cravalho (“Cravalho Decl.”) ¶ 4, ECF No. 25-1.) In
9 December 2012, Cravalho and Jordan Wagner, Philip Wagner’s son, formed GBI, a
10 for-profit corporation. (*Id.* ¶ 4.) At this point, Jordan Wagner was also acting as
11 GW’s President. (*Id.* ¶ 4.) Shortly after its formation, Jordan Wagner became GBI’s
12 Chief Executive Officer, Cravalho became the Chief Operations Officer, and Justin
13 Beckett¹ joined GBI’s Board of Directors. (*Id.* ¶ 6.)

14 On February 19, 2013, GW and GBI entered into a trademark license
15 agreement whereby GW granted GBI an exclusive right to use and commercially
16 exploit the ’005 Mark, i.e. the name “Generosity Water,” in connection with the
17 production and sale of bottled drinking water (the “License Agreement”). (Compl.,
18 Ex. A, ECF No. 1.) As compensation for the license, GBI agreed to pay GW, on a
19 quarterly basis, a royalty equal to twenty percent of GBI’s net income from the sale
20 of the bottled water. (*Id.* ¶¶ 4.2, 4.3.) The License Agreement also required GBI to
21 submit written royalty statements to GW. (*Id.* ¶ 4.4.)

22 GBI has only made two payments to GW. (Wagner Decl. ¶ 10.) In 2013, GBI
23 covered \$5,000 in expenses for an outside vendor to construct GW’s website. (*Id.*)
24 In 2014, GBI paid \$10,000 as an advance payment against royalties to help fund two
25 water-well rehabilitation projects in Haiti. (*Id.*)

26 The License Agreement also provides that GBI “shall own all intellectual
27 property rights . . . arising from or based upon GBI’s creation, development,

28 ¹ Justin Beckett was also a member of GW’s Board of Directors. (*Id.* ¶ 13.)

1 manufacturing, marketing, promotion, distribution and sale of [the bottled water sold
2 under the License Agreement], together with all associated goodwill.” (Compl., Ex.
3 A ¶ 8.2.) The parties also agreed that “GW shall not, at any time *during or after the*
4 *Term of this Agreement*, dispute or contest, directly or indirectly, GBI’s exclusive
5 right and title to any portion of the GBI IP.” (*Id.* (emphasis added).)

6 On March 5, 2013, GW applied to register a logo, the word “Generosity” in
7 blue large capital letters with a water droplet design, to be used for bottled drinking
8 water, and the USPTO issued the trademark registration on January 19, 2016, under
9 U.S. Reg. No. 8,889,854 (the “’854 Mark”). (Wagner Decl. ¶ 7, Ex. B.)

10 Also in March 2013, GBI engaged a designer to begin working on the design
11 of a logo for GBI’s bottled water, which included a water droplet design within the
12 “o” in “Generosity.” (Cravalho Decl. ¶ 7.) In early 2015, GBI approached the same
13 designer to assist in updating the logo and prepare bottle designs and packaging
14 layouts. (*Id.* ¶ 9.) GBI paid for all of the design work associated with the logo. (*Id.*
15 ¶ 10.) The redesigned logo GBI selected and now uses is:



18 On May 29, 2015, GW filed a subsequent application to register a logo for
19 “Generosity,” with a description almost identical to the ’854 Mark. (Wagner Decl.
20 ¶ 8, Ex. C.) The USPTO issued the trademark registration on January 5, 2016, under
21 U.S. Reg. No. 4,881,004 (the “’004 Mark”). (Wagner Decl. ¶ 8.) GBI alleges that
22 both the ’854 and ’004 Marks were based on designs that it paid for, solicited, and
23 selected. (Opp’n 12–13.)

24 On June 11, 2015, GW and GBI entered into an amendment to the License
25 Agreement (the “Amendment”). (Compl., Ex. B, ECF No. 1.) Under the
26 Amendment, GBI agreed to pay GW a monthly fee of \$2,000.00 for six months. (*Id.*
27 at 1.) GBI also agreed to pay an additional royalty of \$1.00 for every twelve one-liter
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1 bottles of water produced by or on behalf of GW.² (*Id.*) GBI claims that Jordan
2 Wagner and Justin Beckett, who at the time held positions for both GBI and GW,
3 caused GBI and GW to enter into the Amendment without input from anyone else at
4 GBI. (Cravalho Decl. ¶¶ 13–14.)

5 GBI claims that in or around February 2016, GBI’s Board of Directors
6 discovered a “series of improprieties” by Jordan Wagner and requested his
7 resignation. (*Id.* ¶ 16.) Shortly thereafter, Jordan Wagner stepped down from his
8 executive role in GBI and Justin Beckett resigned his position on GBI’s Board of
9 Directors. (*Id.* ¶ 17.)

10 On October 13, 2016, GW applied to register the below logo for
11 Generosity.org, which incorporated the water droplet design. (Wagner Decl. ¶ 9.)
12 The USPTO issued the trademark registration on May 16, 2017, under U.S. Reg. No.
13 5,204,887 (the “887 Mark”). (*Id.* Ex. D.)



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18 In December 2016, GBI applied to register the “droplet logo” below for use on
19 bottled drinking water. (Cravalho Decl. ¶ 12.) The USPTO issued the trademark
20 registration under U.S. Reg. No. 5,236,930 on July 4, 2017 (the “930 Mark”). (*Id.*
21 Ex. 4.)



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25 In March 2017, Jordan Wagner and Justin Beckett negotiated the sale of all of
26 their GBI stock. (Cravalho Decl. ¶ 19.) On May 12, 2017, GW sent GBI a notice of
27 default, claiming that GBI was in default of the License Agreement for failure to pay

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29 ² The rates differed for larger or smaller bottles, and were to be determined on a pro rata basis.

1 royalties. (Compl. ¶ 48, Ex. C.) GW sent a second default notice to GBI on May 22,
2 2017. (*Id.* ¶ 50, Ex. D.) On June 1, 2017, GW terminated the License Agreement
3 and has since made multiple demands for GBI to immediately stop using the '005,
4 '854, and '004 Marks. (Wagner Decl. ¶ 11.)

5 GBI operates the website “generositywater.org.” (Wagner Decl. ¶ 13.) The
6 website advertises bottles of water bearing the '004 Mark. (*Id.*, Ex. F.)



16 GW initiated this lawsuit against GBI on August 15, 2017, alleging claims for
17 breach of contract, trademark infringement, counterfeiting, and violations of
18 California’s unfair competition laws. (Compl.) GW alleges that GBI continues to
19 use the '005, '854, and '004 Marks. (Compl. ¶ 83.) On September 1, 2017, GW
20 moved for a preliminary injunction seeking to stop GBI’s use of all three Marks.
21 (Mot.)

22 On September 25, 2017, GBI answered GW’s Complaint and asserted various
23 counterclaims against GW, namely trademark infringement of the '930 Mark, breach
24 of contract, and a request for a declaration invalidating the '854, '004, and '887
25 Marks. (Countercl., ECF No. 21.) On October 2, 2017, GBI opposed GW’s Motion
26 for Preliminary Injunction. (Opp’n, ECF No. 25.) The Court heard oral argument
27 from both parties on GW’s Motion on December 4, 2017. (ECF No. 35.)

III. LEGAL STANDARD

A preliminary injunction is an extraordinary remedy never awarded as of right. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 24 (2008). A plaintiff seeking a preliminary injunction must establish that (1) it is likely to succeed on the merits; (2) it is likely to suffer irreparable harm in the absence of preliminary relief; (3) the balance of equities tips in its favor; and (4) an injunction is in the public interest. *Id.* at 20; *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976, 979 (9th Cir. 2011). In each case, a court “must balance the competing claims of injury and must consider the effect on each party of the granting or withholding of the requested relief.” *Amoco Prod. Co. v. Vill. of Gambell*, 480 U.S. 531, 542 (1987). Further, courts of equity should particularly consider the public consequences in employing the extraordinary remedy of injunction. *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982).

IV. DISCUSSION

GBI opposes GW’s Motion for Preliminary Injunction on the grounds that GW (1) cannot establish it is likely to succeed on its trademark infringement claims; (2) will not be irreparably harmed without the injunction; and (3) has unclean hands. (Opp’n, ECF No. 25.) The Court addresses each argument in turn.

A. Likelihood of GW Succeeding on its Trademark Infringement Claims

A claim for trademark infringement requires a plaintiff to prove that (1) it owns a valid, protectable mark, and (2) the defendant used a mark confusingly similar to the plaintiff’s mark. *Brookfield Comm., Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1046–47 (9th Cir. 1999).

GBI claims that GW is not likely to succeed on its trademark infringement claims because GBI owns the intellectual property that resulted in the ’854 and ’004 Marks. (Opp’n 10.) GBI argues that the License Agreement granted GBI all intellectual property rights, other than the ’005 Mark, arising from GBI’s marketing, promotion, distribution and sale of the bottled drinking water. Further, GBI asserts

1 that its ownership of this intellectual property continues even after the termination of
2 the License Agreement pursuant to ¶ 11.5, which provides:

3 *Following the expiration or termination of this Agreement .*

4 . . GBI shall have the *right to use and exploit GBI IP on*
5 *bottled water or other commercial products*, so long as and
6 subject to GBI taking all commercially reasonable and
available actions to advise the public that any such products
are not authorized, approved, sponsored or endorsed by GW.

7 (emphasis added). Based on this language, GBI claims that its continued marketing
8 and sales of bottled water bearing the name “Generosity” and the ’854 and ’004
9 Marks, cannot be deemed as infringing any rights held by GW.

10 GW responds that the License Agreement provides that GW expressly retained
11 all rights to the ’005 Mark *in any form*, which would include all the later designs and
12 trademarks that use the “Generosity” name. GW further argues that ¶ 11.4 of the
13 License Agreement requires that after termination, GBI must “refrain from all future
14 use” of the ’005 Mark and “any marks, name or material that is a simulation of” the
15 ’005 Mark or “is confusingly similar thereto.” (Reply 4, ECF No. 27.) GW also
16 points to the registrations of the ’854, ’004, and ’887 Marks, which were all registered
17 in GW’s name. GW argues that registration of a mark constitutes prima facie
18 evidence of the validity of the mark and the registrant’s exclusive right to use the
19 mark. (Reply 3 (citing *Applied Info. Scis. Corp. v. eBay, Inc.*, 511 F.3d 966, 970 (9th
20 Cir. 2007).))

21 The likelihood of GW succeeding on its trademark infringement claim hinges
22 on whether (1) GBI owns the IP that GW registered as the ’854 and ’004 Marks and
23 (2) the ’854 and ’004 Marks are confusingly similar to the ’005 Mark.

24 First, the language of the License Agreement grants GBI intellectual-property
25 rights in all designs “arising from or based upon GBI’s creation, development,
26 manufacturing, marketing, promotion, distribution and sale of” bottled water pursuant
27 to the Agreement. GW does not contest GBI’s assertion that GBI oversaw and paid
28 for the creation of the design that led to the ’854 and ’004 Marks. It is also undisputed

1 that GBI caused the creation of those designs in order to promote and sell bottled
2 water under the License Agreement. Therefore, there is a material dispute as to
3 whether GBI owns those designs.

4 Second, GW has not met its burden to prove that the '854 and '004 Marks are
5 “confusingly similar” to the '005 Mark. While the word “generosity” in the '854 and
6 '004 Marks is included in the name “Generosity Water”—i.e. the '005 Mark—both
7 “generosity” and “water” could be considered generic words, which courts regularly
8 disregard when analyzing whether marks are “confusingly similar.” *See e.g., Keebler*
9 *Co. v. Murray Bakery Prods.*, 866 F.2d 1386, 1390 (Fed. Cir. 1989) (finding that as a
10 preliminary to comparing the marks in their entireties it is not improper to give less
11 weight to the generic “pecan” part of the marks in finding no likely confusion in:
12 PECAN SANDIES pecan cookies vs. PECAN SHORTEES pecan cookies); *In re*
13 *Dixie Restaurants, Inc.*, 105 F.3d 1405, 1407 (Fed. Cir. 1997) (“Neither the design
14 element nor the generic term ‘café’ offers sufficient distinctiveness to create a
15 different commercial impression”).

16 Finally, GW also presents evidence that GBI offered to buy the '854 and '004
17 Marks from GW to support its argument that GW rightfully owns those Marks.
18 (Reply 5–6.) However, the circumstances surrounding the proposed buyout are
19 unclear. Both offers were made when there was substantial overlap in the
20 management of both companies. Additionally, in one email from Cravalho, he
21 explains to Philip Wagner that he is proposing the buyout because potential investors
22 are uncomfortable lending money to GBI when all it has is a licensing arrangement
23 with a non-profit. (ECF No. 29, Ex. C.) Therefore, Cravalho’s offer for GBI to buy
24 the trademarks could be construed as an attempt for additional “security” to appease
25 potential investors, rather than an unequivocal admission that GBI does not own those
26 Marks.³

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28 ³ GBI raised, for the first time at the hearing on GW’s Motion, the argument that these offers are inadmissible as settlement communications under Federal Rule of Evidence 408. Because GBI has

1 For these reasons, there are sufficient remaining legal and factual uncertainties
2 demonstrating that GW has not established that it is likely to succeed on its trademark
3 infringement claims for the '854 and '004 Marks, at this juncture.

4 What cannot be questioned, however, is that the License Agreement specifically
5 reserved GW's ownership rights to the name "Generosity Water," which is the
6 substance of the '005 Mark. (Compl., Ex. A ¶ 1.3.) GBI uses that name in its website
7 domain, "generositywater.com." However, because GW has not met its burden to
8 establish irreparable harm (*see* Section IV.B below), even a more limited preliminary
9 injunction, such as ordering GBI to stop using that domain name, is not appropriate at
10 this time.

11 **B. Irreparable Harm to GW**

12 GW claims that GBI's use of the name "Generosity" to sell bottled water
13 irreparably harms GW's reputation and goodwill because the public will associate
14 GBI's products with GW. GW claims that it "no longer wishes to be associated with
15 any entity that fails to abide by its contractual obligations and seeks to use a charitable
16 organization as a springboard to generate unjust profits." (Mot. 14.) GW also argues
17 that this shows a "loss of control over [GW's] business reputation and damage to
18 goodwill" constituting irreparable harm. (Reply 10 (citing *Herb Reed Enter., LLC v.*
19 *Florida Entm't Mgmt., Inc.*, 736 F.3d 1239, 1250 (9th Cir. 2013); *2Die4Fourt v.*
20 *Hillair Capital Mgmt., LLC*, 692 F. App'x 366, 369 (9th Cir. 2017).)

21 GW's irreparable-harm claim centers on GBI's alleged continued use of
22 statements on its website indicating that it is still associated with GW. GW claims that
23 as of October 6, 2017, in the "FAQ" section on GBI's website titled "How does
24 Generosity Water give back?" the following answer is provided:

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28 not provided enough information to make an evidentiary ruling on that issue, the Court declines to
strike the evidence at this time.

1 We love this part! [GBI] gives two people clean water for one
2 month for every bottle purchased[,] we do this by our non-profit
3 partner, Generosity.org. Each bottle of Generosity Water is
4 marked with a QR code that can instantly show the exact
5 community your purchase supported! To learn more about our
6 non-profit partner, check out generosity.org.

7 (Reply 11.) The Court finds that the above statement, and the potential for public
8 confusion as to whether GBI and GW are still affiliated, could rise to the level of loss
9 of goodwill necessary to establish irreparable harm. However, the Court also finds
10 that the alleged harm could be alleviated with a more limited injunction precluding
11 GBI from making any public claim of association or partnership with GW. As this
12 limited injunction addresses the only claim of harm, the Court finds that GW has not
13 shown irreparable harm so as to justify a preliminary injunction requiring GBI to
14 cease all use of the '005, '004, and '854 Marks.

15 **C. Unclean Hands & Balance of Equities**

16 GBI claims that GW is precluded from equitable relief because it has unclean
17 hands. (Opp'n 23 (citing *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240,
18 241 (1933).) GBI claims that the only reason it has been sued for breach of contract
19 and trademark infringement is because Jordan Wagner and Justin Beckett, while
20 functioning in their capacities for GW and GBI, negotiated an untenable Amendment
21 to the License Agreement. (Opp'n 24.) GBI asserts that Jordan Wagner and Justin
22 Beckett knew that GBI would not be able to pay the fees and royalties required under
23 the Amendment and failed to cause GBI to make any such payments when they held
24 leadership positions at both GBI and GW. (*Id.*)

25 GW responds that in a trademark case, in order to make out an unclean hands
26 defense, the defendant "must demonstrate that the plaintiff's conduct is inequitable
27 and that the conduct relates to the subject matter of its claims." (Reply 17 (citing
28 *Japan Telecom, Inc. v. Japan Telecom Am. Inc.*, 287 F.3d 866, 870 (9th Cir. 2002).)

1 Further, GW claims that under the Ninth Circuit’s holding in *Japan Telecom*, a
2 defendant “must show that plaintiff used the trademark to deceive customers.” (*Id.*)

3 It is doubtful that the Ninth Circuit intended its holding in *Japan Telecom* to
4 provide the only avenue to establishing an unclean-hands defense in a trademark
5 infringement case. Rather, that court addressed the defendant’s argument that the
6 plaintiff’s use of the mark in question was deceptive. However, the burden to show
7 that a party is precluded from equitable relief due to unclean hands is significant. *See*
8 *Citizens Fin. Grp., Inc. v. Citizens Nat’l Bank of Evans City*, 383 F.3d 110, 129 (3d
9 Cir. 2004) (“Because a central concern in an unfair competition case is protection of
10 the public from confusion, courts require clear, convincing evidence of ‘egregious’
11 misconduct before invoking the doctrine of unclean hands.”); *see also*
12 *TrafficSchool.com v. Edriver Inc.*, 653 F.3d 820, 834 (9th Cir. 2011) (distinguishing
13 between merely “bad intentions” and unclean hands).

14 Even if GBI cannot make out an unclean-hands defense, the balance of equities
15 weighs against entering GW’s requested preliminary injunction at this time. *See*
16 *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 24 (2008) (“[C]ourts must balance
17 the competing claims of injury and must consider the effect on each party of the
18 granting or withholding of the requested relief”). First, GW has presented a weak
19 showing of harm as a result of GBI’s use of the alleged infringing marks. Second, it
20 appears that GBI’s only source of income is selling bottles of water bearing the name
21 “Generosity.” Therefore, the Court is hesitant to effectively cut off GBI’s ability to
22 conduct any business when there are allegations of self-dealing between the leadership
23 of GW and GBI supported by evidence of vastly overlapping management and
24 leadership in the companies. And lastly, GBI claims that it would lose its next round
25 of investment and any sales or distribution prospects over the next year should the
26 Court grant GW’s requested preliminary injunction. (Cravalho Decl. ¶ 24.) Given
27 these considerations, the Court declines to issue the preliminary injunction requested
28 by GW.

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2 Upon consideration of the parties' moving and opposition papers and the
3 arguments presented at the hearing, the Court finds that the parties would benefit from
4 participating in a settlement conference with the Magistrate Judge assigned to this
5 case. Therefore, the Court **ORDERS** the parties to conduct a settlement conference
6 with Magistrate Judge Stevenson no later than **February 26, 2018**.


The Court also finds that a short stay of this case is appropriate to allow the parties to conduct the settlement conference without also incurring substantial legal fees and expenses. *See Landis v. North Am. Co.*, 29 U.S. 248, 254 (1936). Therefore, the Court **STAYS** this case, pending the outcome of the settlement conference and **VACATES** all other dates and deadlines. Should the parties be unable to reach an agreement at the settlement conference, they shall meet and confer and within ten (10) days of the settlement conference submit a stipulation to the Court lifting the stay and outlining a proposal for the remaining dates and deadlines.

15 IV. CONCLUSION

16 In light of the foregoing, the Court **GRANTS IN PART** and **DENIES IN**
17 **PART** GW's Motion for Preliminary Injunction. (ECF No. 13.) The Court
18 preliminarily enjoins GBI from making any claim of affiliation or partnership with
19 GW. All other relief requested in GW's Motion is **DENIED**. Further, the Court
20 **ORDERS** the parties to conduct a settlement conference with Magistrate Judge
21 Stevenson on or before **February 26, 2018**. All other dates and deadlines are
22 **VACATED** and the Court **STAYS** this case pending the outcome of the settlement
23 conference.

24 **IT IS SO ORDERED.**

25 December 6, 2017


OTIS D. WRIGHT, II
UNITED STATES DISTRICT JUDGE